From:	ehud barak <ehbarak1@gmail.com>
To:	Gary Fegel <gary@fegel.com>
CC:	
Date:	Tue, 8/6/2013 1:29:20 AM
Subject:	Re: Goldman Sachs, London Exchange Sued Over Aluminum Supply

Hi Gary
I'm eager to share some.
best
EB
On Aug 5, 2013, at 9:03 PM, Gary Fegel <gary@fegel.com> wrote:

> Hi Ehud
>
> I generally felt for a while that the unregulated commodity trade will change a lot now that the "super cycle" slows or ends. One of the reasons Why I left glencore..... But I have a lot of thoughts about what's coming next.....
> Best
> Gary
>
> On 03.08.2013, at 22:40, ehud barak <ehbarak1@gmail.com> wrote:
>
> > Hi Gary
> >
> > The show continues
> >
> > Shavua Tov
> >
> > EB
> >
> > Goldman Sachs, London Exchange Sued Over Aluminum Supply
> >
> > Goldman Sachs Group Inc. (GS) and the London Metal Exchange are restraining aluminum supplies and driving up the metal's price in violation of federal antitrust law, according to a lawsuit.
> >
> > The suit, for which the aluminum products company Superior Extrusion seeks class-action status, was filed Aug. 1 in federal court in Detroit.
> >
> > "Through an interconnected series of agreements in unreasonable restraint of trade, Goldman and LME restrained approximately 1.5 million tons of aluminum in LME Detroit warehousing," causing delays of as long as 16 months between customer orders and corresponding deliveries, Gwinn, Michigan-based Superior alleged.
> >
> > Buyers in Michigan, Ohio, Illinois and elsewhere in the U.S. Midwest suffered harm in the form of inflated prices, according to the complaint. The plaintiffs asked for an order barring the practice and money damages tripled under U.S. antitrust law.
> >
> > "We believe the suit is without merit and will contest it vigorously," Michael DuVally, a spokesman for New York-based Goldman, said yesterday in a

phone interview. The market price for the metal has fallen about 40 percent since 2006, he said.

Chris Evans, a spokesman for the LME in London, didn't immediately respond to an e-mail yesterday after regular business hours seeking comment on the lawsuit.

Aluminum buyers from beer makers to wire fabricators have complained that owners of London Metal Exchange warehouses, including banks, are manipulating availability of supply.

Rising Costs

Global aluminum costs were inflated by $3 billion in the past year through unfair rules that allow warehouse owners to slow deliveries, Tim Weiner, a global risk manager at Chicago-based brewer MillerCoors, said in written testimony before his appearance July 23 at a U.S. Senate subcommittee hearing.

The practices of warehouse owners authorized to hold aluminum by the LME created artificial limits on available supply, leaving prices "inflated relative to the massive oversupply and record production," Weiner said.

The premium added to aluminum for immediate delivery on the London Metal Exchange rose in recent months as warehouse operators offered incentives to attract aluminum into storage, forcing consumers of the lightweight metal to compete with them.

In February 2010, Goldman Sachs Group Inc. bought Romulus, Michigan-based Metro International Trade Services LLC -- a defendant in the Superior complaint -- which as of July 11 operated 34 of 39 storage facilities licensed by the LME in the Detroit area, according to exchange data.

Goldman Statement

Goldman Sachs said in a statement July 31 that it isn't involved with the daily management of the company.

Orders to remove the metal from storage make up 63 percent of total stockpiles in Detroit, the biggest U.S. repository of the metal.

Goldman Sachs said this week that no client has accepted the bank's offer to swap metal stuck in queues for immediately available aluminum.

The LME said July 1 that it's trying to quicken deliveries from stockpiles in warehouses where waiting times exceed 100 calendar days.

Those sites would have to deliver out more metal than they take in, based on a formula, the LME said. Market participants are being consulted until Sept. 30, the exchange said. Its board is expected to review the plan in October, and the proposal would take effect April 1 if approved.

The case is Superior Extrusion Inc. v. Goldman Sachs Group Inc., 13-cv-13315, U.S. District Court, Eastern District of Michigan (Detroit).

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